

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 SWF-02 AID-20 CEA-02

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7237

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: EC BEEF SUPPORT MEASURES

REF: (A) EC BRUSSELS 5317 (B) EC BRUSSELS 5350

1. IT MAY BE SOME TIME BEFORE FULL IMPLICATIONS OF THE COUNCIL
OF AGRICULTURAL MINISTERS' DECISIONS ON BEEF CAN BE ASSESSED,
BUT SEVERAL IMPORTANT ASPECTS ARE ALREADY WORTH COMMENT. FIRST
AND FOREMOST, THE COMMUNITY ACTION IN CLOSING ITS BORDERS TO BEEF
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IMPORTS IS BOUND TO PUT ADDITIONAL PRESSURE ON WORLD MARKETS AND

MAKE IT MORE DIFFICULT FOR NON-EC COUNTRIES TO RESIST IMPORT RESTRICTIONS. BEYOND THIS OBVIOUS AND DISTRESSING FACT, HOWEVER, OTHER POINTS SHOULD BE NOTED IN TERMS OF THEIR SIGNIFICANCE FOR THE EC COMMISSION COUNCIL RELATIONSHIP AND POTENTIALLY AT LEAST FOR THE CAP AND FOR UK RENEGOTIATION.

2. WHILE THE BRITISH HAD TO MAKE PAYMENT IN THE FORM OF THEIR ACQUIESCENCE IN THE IMPORT BAN, THE SCHEME FOR SLAUGHTER PREMIUMS IS IN A SENSE A VICTORY FOR THE UK AND FOR AGRICULTURE MINISTER PEART. THE UK HAD ORIGINALLY PRESSED FOR A DEFICIENCY PAYMENT SYSTEM FOR BEEF BASED ON A REFERENCE PRICE. THE SCHEME APPROVED BY THE COUNCIL SEEMS TO GIVE THEM A GOOD PART OF WHAT THEY WANT. IT PROVIDES FOR INCREASINGLY LARGE SLAUGHTER PREMIUMS THROUGH FEBRUARY 1975 TO ENCOURAGE RETENTION OF SLAUGHTER CATTLE ON FARMS. AN ADDED INCENTIVE TO DELAY BEEF COMING ON TO THE MARKET IS THE GROWING PORTION OF THE PREMIUMS TO BE FINANCED BY FEOPA BEGINNING IN NOVEMBER. THIS REPRESENTS, IN EFFECT, A COMPROMISE-TO TAKE ACCOUNT OF THE COMMISSION'S OBJECTIONS TO OVER-LARGE COSTS OF A STRAIGHTOUT DEFICIENCY PAYMENT SCHEME. BASED ON A MEDIAN OF 45 U.A. PER HEAD AND ON LARDINOIS' ESTIMATE OF 6 MILLION CATTLE THAT WILL BE AFFECTED, THE MAXIMUM AMOUNT PAYABLE AS PREMIUMS COULD TOTAL ABOUT 270 MILLION U.A. PEART HAILED THIS PAYMENT SCHEME AS A TRIUMPH AND SAID IT REPRESENTS A FUNDAMENTAL CHANGE IN THE BEEF SUPPORT SYSTEM. INDEED, THIS KIND OF CHANGE IS IN LINE WITH ONE OF THE IMPORTANT UK AIMS FOR REFORM OF THE CAP, BUT WHETHER IT WILL BECOME A PERMANENT FEATURE REMAINS TO BE SEEN.

3. THE AGRICULTURAL MINISTERS' ACTION ALSO REPRESENTS SOMETHING OF A SETBACK FOR THE COMMISSION. THE COMMISSION HAD OBJECTED TO AN IMPORT BAN AND HAD BELIEVED THAT -- COUPLED WITH OTHER MEASURES TO BE TAKEN THE SO CALLED "JUMELAGE" SYSTEM OF A REQUIRED MIX BETWEEN IMPORTED AND DOMESTIC BEEF WOULD BE SUFFICIENT. WHILE LARDINOIS IS NOW PUTTING THE BEST FACE POSSIBLE ON THE COUNCIL'S DECISION, IT IS TRUE THAT IT REPRESENTS A PUBLIC DISAVOWAL OF THE COMMISSION ON THIS IMPORTANT ISSUE. WE HAVE TALKED WITH FALKENBERG OF THE COMMISSION'S AGRICULTURAL DIRECTORATE GENERAL HIS VIEW IS THAT BEEF WILL BE A PROBLEM FOR THE COMMUNITY FOR AN UNFORESEENABLE PERIOD. THE TENOR AND CONTENT OF HIS REMARKS IMPLIED THAT THE BAN ON IMPORTS MAY HAVE TO BE EXTENDED BEYOND OCTOBER 31. GREENWALD

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